

The Coca-Cola Company

Final Communication Plan

Team 7

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Executive Summary

Situation

We created a communication plan to resolve Coca-Cola's disconnect between our internal and external narratives by focusing on our health conscious consumers. After completing a stakeholder analysis, we have found that Coca-Cola's most important stakeholder is our health-conscious consumers. Through our research, we have discovered the sugar stigma to be the overarching issue within our company.

Background

Millennials and Generation Z are at the forefront of the argument for healthier diet choices. These individuals are focused more on their health, even if there is a higher price point attached. Drivers for consumer spending have evolved and grown substantially, placing more value on health & wellness, safety, social impact, and experience. In turn, we can capitalize upon this to raise price points on future healthy options.

Analysis



The background and research shows that if we do not react to our consumers' change in lifestyle, we will continue to see a decline in revenue and loyal customers. We must be aggressive or we will lose our consumers to competitors. The shift in diet has resulted in an opportunity for us to diversify our product portfolio and reach health-conscious consumers.

Recommendation

First, we recommend implementing smaller can/bottle sizes to reduce the amount of sugar and calories. Secondly, we believe Coca-Cola should invest in Health-Ade Kombucha. We will have the intent of fully acquiring Health-Ade Kombucha in the future. This is an option that will bring us future financial success, and have a projected ROI of 9.8%. Lastly, we recommend budgeting more money towards advertising on social media platforms that will reach our younger consumers. Through unique advertising strategies and digital communication, we will transition our health conscious consumers to identify as brand loyal consumers.

Looking Forward

In the following document, we discuss in further detail a communication plan, budget and expected ROI for implementing these recommendations. Action must be done as soon as possible because the health conscious consumers will most likely be increasing in 2018 because of the shift to a healthier lifestyle.

Introduction

The Coca-Cola Company strives to provide exceptional products to our consumers in order to make life's little moments more memorable. Our drinks are crafted to bring friends and family together while creating lasting memories. As interns at The Coca-Cola Company, we have discovered our main issue is the high sugar content in our drinks. We have found this issue through analyzing our internal and external narratives. In the last decade, soda consumption has declined because our consumers are more conscious of their diets. Our main priority still remains customer satisfaction and we must adapt to these changes by evolving with our consumers. By reshaping our brand into a total-beverage company, we will meet the demands of our consumers who have shifted their lifestyle choices. The following report will provide an overview of our communication plan. We will provide you with our company narrative, research supporting our request to diversify our product portfolio, recommendations, and a financial breakdown of the associated expenses.

Situation

Our current external narratives are not aligning with our internal narratives. We have discovered a disconnect between our sugary beverages and health-conscious consumers. Diet is a growing concern in society due to the obesity epidemic, so consumers are adapting their lifestyles and consuming less unhealthy goods. As a company, we strive to grow with our consumer's preferences, however a large number of consumers have chosen other options because of the sugar stigma. This is why our external narratives share a negative perspective centered around the sugar content in our products. The amount of Coca-Cola consumed by Americans has decreased by 1% (Taylor, 2016), resulting in a sharp decline in financial performance over the last 5 years. In 2012, we made 14.7 billion in revenue, which is 1 billion more revenue than 2017 (IBIS, 2017). Since then, our sales have continued to decrease and are expected to show a similar trend for the future if we continue to ignore our consumers.

The Coca-Cola Company (US industry-specific segment) - financial performance*

Year	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2012	14,680.6	3.4	3,295.5	6.4
2013	14,438.9	-1.6	3,151.9	-4.4
2014	14,091.0	-2.4	2,973.9	-5.6
2015	14,516.7	3.0	2,860.5	-3.8
2016	13,879.6	-4.4	2,859.9	0.0
2017	13,744.0	-1.0	2,666.3	-6.8

*Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD

Refranchising

For the last decade, we have focused on refranchising our organization which has affected our revenues shown in the figure above. We are currently teaming up with our U.S. bottling partners to create a smooth transition across our supply chain, IT, and customer support. This initiative will allow us to realign with our partners that have the capability to serve our major customers with their local ties (Coca-Cola, 2017). While this plan will bring in additional revenue to our operations in the future, it currently has high costs. This plays into the decline in financial performance, and we expect that by the completion of our refranchising efforts revenue will once again rise.

Background

Coca-Cola has been continuously growing as a successful soda manufacturing company since John Pemberton created the unique formula in 1886. Since then, we have diversified our product portfolio by introducing diet drinks to accommodate the consumers' wants. Over the last decade, we have been challenged to meet consumer demand for new and improved products. Although we have acquired brands that have allowed us to diversify our portfolio, including Honest Tea and Zico Coconut Water, we believe there are more partnerships that will make our brand stronger.

As one of the most well-known brands in the world, we are proud to offer over 500 products. Our products range from the traditional Coca-Cola to fitness drinks teas. However, over the past few years we have seen a major decline in soda consumption. According to Sanger-Katz, this drop illustrates one of the largest changes in the American diet over the last ten years. From this study, children are consuming 79% fewer sugar filled beverages, which is good for tackling the obesity epidemic but bad in terms of our sales revenue (Sanger-Katz, 2015). We want to keep our original products at the forefront of our brand, but shift how they are being consumed. We recognize this challenge and are prepared to adjust for our consumers.

The shift to healthier alternatives lead our consumers to prefer Diet Coke because of its lower sugar and calorie content compared to the original Coca-Cola. We saw an increase in Diet Coke and a decrease in our traditional Coca-Cola sales. After time, consumers started to become weary of the artificial sweeteners and additives in the Diet formula (Berman, 2014). We want our consumers to continue to enjoy our original products as a treat rather than an everyday staple.

As the demand for our products decrease, revenue is decreasing as well. The drop in revenue is associated with the lifestyle changes our consumers are making. We hit our peak for revenue in 1998 when the average American drank 54 gallons of soda per year. In 2013, Americans were consuming 38.6 gallons (Berman 2017). An association with this decrease is that the newer generation is very health conscious. In a 2015 Survey conducted by USA Today this was stated,

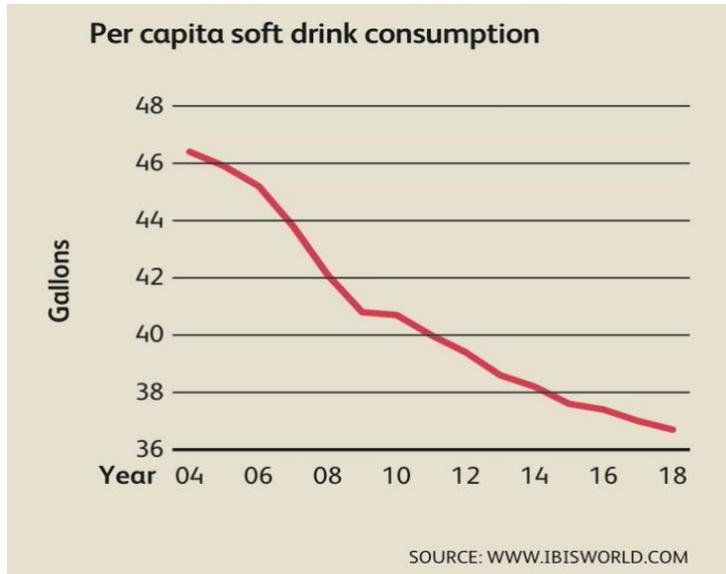


Figure 1: Soda Consumption Graph

“The most health-centric group of consumers is Generation Z. These are the men and women younger than 20 years old. More than four out of ten individuals polled in this group indicated that they they would be willing to spend more money for healthier products as opposed to 32 percent of millennials, and 21 percent of baby boomers”. This information tells Coca-Cola that the newer generations are more aware of what they are eating and drinking. To the extent that money is not an issue when looking for what they want.

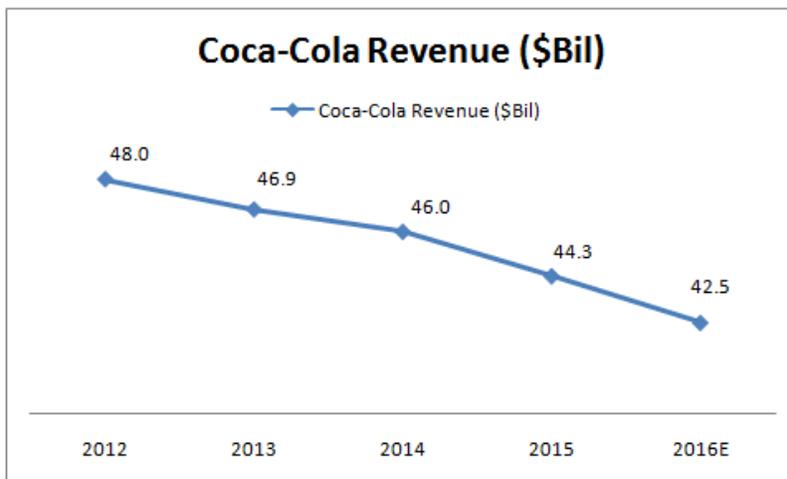


Figure 2: Coca Cola Revenue Graph (Forbes 2017)

Analysis

The sugar and diet problem affects our success as a company. We were founded on the basis of our sugar filled beverage, the original Coca-Cola. We can clearly see that over time the appreciation for this beverage is declining and not being purchased as much. If our consumers don't like our main product line anymore, it affects our entire company and purpose. It is our job to create happiness in our consumers' lives, and if their happiness is changing toward healthier living, we need to move with them. If we do not start providing our consumers with healthier products, we will lose them to our competitors.

Current trends representing these fast changing diets are something we are looking in to. The president of Coca-Cola North America states, "health and wellness is a major enduring trend, and each branch has to compete in that environment." This reinforces the challenge we face as our consumers are shifting away from soda and toward more health conscious beverages.

Recommendations

Diversifying our product portfolio to match industry trends is a very large opportunity for growth. To create the customer satisfaction our consumers want, we need to evolve into the type of company that represents happiness and a healthy lifestyle. Healthy beverages are on the rise and Coca-Cola needs to follow the potential. We recommend launching several new ideas along with new items that are lower in sugar, calories, and sodium.

Recently, we have been slow to react to consumer demand, but in the past 5 years have been aggressively pursuing innovation. Even with a late start, we have taken an active posture in acquisitions and partnerships with 'healthier' beverages. Although these relationships have improved our reputation, there is still a large opportunity for growth. With the launch of new products, we recommend implementing unique advertising campaigns to properly inform and align with our health conscious consumers.

Reduced Can Size

Because the obesity epidemic is so prominent in the United States, Coca-Cola should consider lowering can and bottle sizes in different regions. According to New York Mayor Michael Bloomberg, "As the size of sugary drinks has grown, so have our waists -- and so have diabetes and heart disease." (Young, 2012). A lower can size will decrease caloric intake and decrease sugar consumption. An advertising campaign for this change should emphasize a healthy lifestyle and inform the consumer that happiness is still available in a smaller can.

New Alternatives

Coca-Cola needs to recognize the needs of consumers, test new ingredients, and develop new products. It's essential to continue acquiring and partnering with healthy brands to further diversify our product portfolio. We offer many products that our health-conscious consumers will enjoy such as various teas, lemonade, and bottled water which contain less sugar. These need to be emphasized to entice these individuals to seek out Coca-Cola products. A company

such as Health-Ade, who produces Kombucha, would be an excellent investment for our company. Kombucha is a probiotic tea that is exponentially on the rise in terms of popularity. Health-Ade is a company that produces what could act as a replacement to soda in the near future. As far as advertising, we could promote the health benefits of Kombucha along with the ingredients that set it apart from soda.

Digital Communication

As a company, we can take advantage of these new products by advertising via digital communication and building an association between Coca-Cola and healthier products. Through new commercials and advertising as a full beverage brand, Coca-Cola will be able to target healthy consumers while still maintaining their most popular products. We are a global brand and need to emphasize a more diverse portfolio of products to enhance our reputation and stakeholder responsibility. A unified product portfolio will cause health conscious consumers to identify as brand loyal consumers.

Response

Our main goal and response to how we should deal with this disconnect in our communication is to reach the health conscious consumers, and build the association between Coca-Cola and healthy products. This means investing our money in advertising on social media apps to reach the younger generations which make up a huge chunk of this new consumer base. In addition to this, we will also use this money to acquire new products, such as Health-Ade's Kombucha, and the money left over will go towards labelling.

Budget Breakdown

To further break this down, we have \$3.5 billion dollars already allocated to advertising. We are proposing that of that \$3.5 billion, we set aside \$650 million to reach key target markets and to acquire new brands like Health-Ade Kombucha. Coca-Cola is in such a large, competitive industry that we are required to make large spends on advertising campaigns. The market share is relatively even between competitors so we must consistently advertise or we will lose our competitive advantage. This is why we suggest allocating 12%, \$427,050,000 of the budget we already have to healthy advertising on social media apps every single day. In addition to this, it will cost us roughly \$200 million to acquire Kombucha this is based off of what Pepsi bought Kavida for, another Kombucha beverage. This gives us about \$23 million left for labelling and putting the Coca-Cola label on our healthy alternatives. Labelling is an important part of marketing to our health-conscious consumers because many people don't know the kinds of healthy beverages Coke has and building that association between Coca-Cola and a healthy lifestyle is exactly what we aim to do. So, when people pick up Honest Tea, for example, and look at the sugar content, which is very low, they will also see the Coca-Cola logo and begin to connect the two together.

Return on Investment

When looking at the acquisition of Health-Ade’s Kombucha, we expect an estimated 9.8% return on investment. This number comes from a comparison to Honest Tea, a healthy beverage that we own and sell. We expect to sell roughly \$1.5 million cases of Kombucha in the first year, which is what Honest Tea sold during its first year after we acquired the brand. Health-Ade’s Kombucha sells for \$13 a case which gives us an estimated \$19.5 million in gross profit. Dividing that number by the \$200 million investment of buy the brand, gives us our estimated return on investment of 9.8%.

Timeline

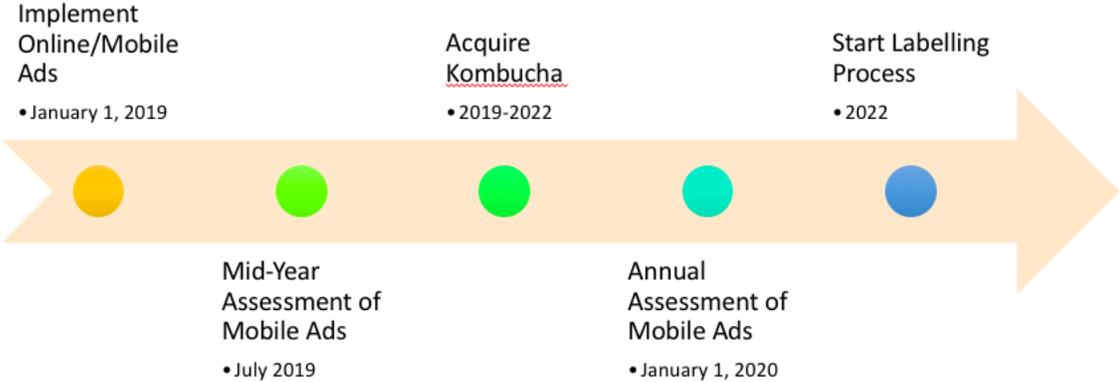


Figure 3: Timeline of Implementation

Conclusion

Coca-Cola has been enjoyed by millions since its inception in 1886. However, a shift in diet choices has left a gap in the narratives between our products and health-conscious consumers. We continue to change our product portfolio and add to our list of over 500 brands to satisfy the needs of our consumers. In order to keep up with the demand that this shift in diet has brought, we must continue to further diversify our product portfolio and add healthier alternatives. This will allow us to reach health-conscious consumers and shift away from the sugar stigma so we can ultimately become a total-beverage company.

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